CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

S. H. KRESS & COMPANY

ACCOUNTS

YEAR 1938

EXECUTIVE AND BUYING OFFICES
114 FIFTH AVENUE
NEW YORK, N. Y.

MBD
CBRB FILE

S. H. KRESS

A

SUBSIDIARY

Consolidated Balance S

ASSETS

CURRENT ASSETS:		
Cash in banks and on hand	$11,334,236.87	
Sundry debtors	61,738.88	
Inventories of merchandise, including merchandise in transit, at cost or market, whichever is lower (certified by officials as to quantities and condition)	12,201,190.60	
		$23,597,166.35
U. S. GOVERNMENT SECURITIES deposited in escrow under lease agreement (quoted market value $25,593.75)		25,070.31
LONG TERM LOANS AND ADVANCES TO LANDLORDS		350,821.47
DEFERRED CHARGES TO FUTURE OPERATIONS:		
Prepaid insurance premiums	$ 437,872.91	
Deferred rental expenses, prepaid taxes, rent, etc.	157,398.40	
		595,271.31
CAPITAL ASSETS:		
Fixtures and equipment, at cost	$14,176,472.89	
Less—Reserve for depreciation	7,790,917.90	
	$ 6,385,554.99	
Leasehold and other improvements, at cost	$15,622,585.34	
Less—Reserve for amortization	4,606,313.22	
	11,016,272.12	
Land and buildings owned in fee, at cost in cash and capital stock	$36,476,701.51	
Less—Reserve for depreciation	4,266,140.91	
	32,210,560.60	
Goodwill, Leaseholds, etc.	1.00	
		49,612,388.71
		$74,180,718.15

To the Stockholders of
S. H. Kress & Company:

We have made an examination of the consolidated balance sheet of S. H. consolidated profit and loss and surplus account for the year 1938. In connection supporting evidence and obtained information and explanations from officers an methods and of the operating and income accounts for the year, but we did not

In our opinion, based upon such examination, the accompanying consolid fairly present, in accordance with accepted principles of accounting consistently S. H. Kress & Company and subsidiary companies at December 31, 1938, and the

56 Pine Street,
New York,
January 30, 1939

& COMPANY

ND

COMPANIES

heet, December 31, 1938

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable—trade creditors	$ 256,665.66	
Accounts payable—merchandise in transit	1,236,000.04	
Accrued expenses and miscellaneous accounts payable	1,907,320.37	
Provision for Federal income and capital stock taxes	1,038,164.62	
		$ 4,438,150.69
CAPITAL STOCK AND EARNED SURPLUS:—		
Capital stock:		
Special preferred stock—6% cumulative:		
Authorized—1,000,000 shares of $10 each	$10,000,000.00	
Issued—911,976-6/40 shares	$ 9,119,761.50	
Common stock without par value:		
Authorized—2,678,787 shares		
Issued or reserved for exchange of old stock—2,357,574 shares	48,511,252.92	
	$57,631,014.42	
(Common stock reserved for sale to employees—68,434 shares)		
Earned surplus, per statement attached	14,142,130.65	
	$71,773,145.07	
Less—Cost of 191,077 shares of special preferred stock ($1,912,060.73) and 5,900 shares of common stock ($118,516.88) re-acquired and held in treasury	2,030,577.61	
		69,742,567.46
		$74,180,718.15

Kress & Company and subsidiary companies as at December 31, 1938 and of the therewith, we examined or tested accounting records of the companies and other d employees of the companies; we also made a general review of the accounting make a detailed audit of the transactions.

ated balance sheet and related consolidated profit and loss and surplus account maintained by the companies during the year under review, the position of result of operations for the year.

PRICE, WATERHOUSE & Co.

S. H. KRESS & COMPANY

AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss and Surplus Account

For the Year ending December 31, 1938

GROSS SALES		$82,187,173.40
Cost of merchandise sold, taxes and other operating expenses (including amounts charged to owned stores as rental)	$76,963,410.36	
Provision for depreciation and amortization	2,371,349.32	
		79,334,759.68
Profit from operations, before providing for Federal income taxes		$ 2,852,413.72
Add:		
Amount charged to owned stores as rental (included in operating expenses above)	$ 1,344,651.11	
Rentals received from other tenants	243,959.03	
Interest received (net)	28,686.20	
		1,617,296.34
		$ 4,469,710.06
Deduct:		
Provision for Federal income taxes	$ 800,000.00	
Loss on sale of U. S. Government securities	1,493.74	
		801,493.74
Net profit for year, carried to surplus		$ 3,668,216.32
EARNED SURPLUS at JANUARY 1, 1938		14,669,083.83
		$18,337,300.15
Dividends paid:		
On common stock ($1.60 per share)	$ 3,762,860.80	
On special preferred 6% cumulative stock (60c per share)	432,308.70	
		4,195,169.50
EARNED SURPLUS at DECEMBER 31, 1938		$14,142,130.65

* * * * *

During the year 1938 certain adjustments were made in the sales policy of the Company for the purpose of improving merchandise values and simplifying the price structure.

Various state and municipal taxes showed an increase for the year 1938, but as a result of the decrease in the provision for Federal income taxes the total taxes, including Federal, aggregated $4,184,775 in comparison with $4,557,919, for the year 1937. These taxes in 1938 exceeded the amount of the net profit remaining for the share-holders.

The Company operated a total of 239 stores at the end of the year.